



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
HENDERSON COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 1998

**EDWARD B. HATCHETT, JR.
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Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Sandy L. Watkins, County Judge/Executive
Members of the Henderson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Henderson County, Kentucky, as of June 30, 1998, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Henderson County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Henderson City-County Planning Commission. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for the Henderson City-County Planning Commission, is based solely upon the reports of the other auditors.

Except as discussed in the fourth paragraph below, we conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

When we arrived to conduct our audit of the Jail Commissary Fund, the Jailer could not locate many of the invoices or other documentation to support \$349,689 of expenditures as described in Note 9. In addition, the Jailer was unable to locate many of the original cancelled checks and bank statements. The Jailer had the bank reproduce copies of cancelled checks, and he obtained copies of some of the invoices from vendors.

Henderson County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky. Consequently, certain revenues and the related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

To the People of Kentucky
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Members of the Henderson County Fiscal Court

In our opinion, based upon our audit and the reports of other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding the Jail Commissary Fund receipts and expenditures, the accompanying financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of Henderson County, Kentucky, and the related statement of cash receipts, cash disbursements, and changes in cash balances as of June 30, 1998, in conformity with the cash basis of accounting described above.

Our audit was performed for the purpose of forming an opinion on the financial statements of Henderson County, Kentucky, taken as a whole. The other information provided on the accompanying schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying Comments and Recommendations, included herein, which discusses the following areas of noncompliance:

- The County Should Have A Written Agreement To Protect Deposits
- The Fiscal Court Should Adopt An Administrative Code
- The Jailer Should Improve The Internal Controls And Accounting System Of The Jail Commissary Fund
- The Jailer Should Maintain Sufficient Documentation To Support Expenditures Of The Jail Commissary Fund
- The Jailer Should Follow Proper Budgetary Procedures For Jail Fund Expenditures

In accordance with Government Auditing Standards, we have also issued our report dated June 16, 1999 on our consideration of Henderson County, Kentucky's compliance with certain provisions of laws, regulations, contracts, and grants, and internal control over financial reporting.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 16, 1999

HENDERSON COUNTY OFFICIALS

Fiscal Year Ended June 30, 1998

Sandy L. Watkins	County Judge/Executive
Charles R. McCollom III	County Attorney
Wilma G. Martin	County Clerk
William T. Burton	Circuit Court Clerk
Dennis Clary	Sheriff
Miles E. Hart	Jailer
Steve Hargis	Property Valuation Administrator
Rebecca Carroll	County Treasurer
Dr. Donald A. Cantley	Coroner
Joe H. Pruden	Magistrate
James C. Hicks, Jr.	Magistrate
Charles G. Alexander	Magistrate
Donald Hugh McCormick, Jr.	Magistrate
Beverly R. Key	Magistrate

STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

HENDERSON COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 1998

Assets and Other Resources

Assets

General Fund:

Cash	\$ 609,793
Investments	3,050,000
Note Receivable (Note 4)	32,256

Road and Bridge Fund:

Cash	51,094
------	--------

Jail Fund:

Cash	86,960
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Jail Commissary Fund:

Cash-	
Prisoners Accounts	9,868
Profit Account	14,650
Rent Account	5,696

Local Government Economic Assistance Fund:

Cash	38,650
------	--------

Dry Hydrant Fund:

Cash	5,672
------	-------

Cemetery Fund:

Cash	1,401
Investment	25,000

Public Properties Corporation Fund:

Cash	28,363
------	--------

Payroll Fund:

Cash	39,913
------	--------

Other Resources

General Fund:

Amounts to be Provided in Future Years for Capital Lease-Vehicles	66,800
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Public Properties Corporation Fund:

Amounts to be Provided in Future Years for Bond Principal	
Payments-Detention Center	6,390,000

Total Assets and Other Resources

\$ 10,456,116

The accompanying notes are an integral part of the financial statements.

HENDERSON COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 1998
 (Continued)

Liabilities and Fund Balances

Liabilities

General Fund:

Deferred Revenue (Note 4)	\$ 32,256
Principal Payments-Vehicles (Note 5)	66,800

Public Properties Corporation Fund:

Bond Principal Payments (Note 6)	6,390,000
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Fund Balances

Reserved:

Jail Commissary Fund	30,214
Payroll Fund	39,913
Cemetery Fund	26,401
Dry Hydrant Fund	5,672
Public Properties Corporation Fund	28,363

Unreserved:

General Fund	3,659,793
Road and Bridge Fund	51,094
Jail Fund	86,960
Local Government Economic Assistance Fund	38,650

Total Liabilities and Fund Balances	<u>\$ 10,456,116</u>
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The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

HENDERSON COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 1998

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 9,750,333	\$ 4,976,969	\$ 1,448,186	\$ 2,498,158
Transfers In	1,887,650		430,000	450,000
Public Properties Corporation Receipts	2,612			
Jail Commissary Fund Receipts	354,384			
Cemetery Fund Receipts	1,334			
Total Cash Receipts	<u>\$ 11,996,313</u>	<u>\$ 4,976,969</u>	<u>\$ 1,878,186</u>	<u>\$ 2,948,158</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 8,258,883	\$ 2,921,308	\$ 1,832,113	\$ 2,279,366
Transfers Out	1,887,650	1,305,000		582,650
Bonds:				
Principal Paid	235,000			
Interest Paid	347,650			
Public Properties Corporation Expenditures	19,379			
Jail Commissary Fund Expenditures	349,668			
Total Cash Disbursements	<u>\$ 11,098,230</u>	<u>\$ 4,226,308</u>	<u>\$ 1,832,113</u>	<u>\$ 2,862,016</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 898,083	\$ 750,661	\$ 46,073	\$ 86,142
Cash Balance - July 1, 1997*	<u>3,029,064</u>	<u>2,909,132</u>	<u>5,021</u>	<u>818</u>
Cash Balance - June 30, 1998*	<u><u>\$ 3,927,147</u></u>	<u><u>\$ 3,659,793</u></u>	<u><u>\$ 51,094</u></u>	<u><u>\$ 86,960</u></u>

*Cash Balance Includes Investments

The accompanying notes are an integral part of the financial statements.

HENDERSON COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
Fiscal Year Ended June 30, 1998
(Continued)

Jail Commissary Fund	Local Government Economic Assistance Fund	Hudson Foods Fund	Dry Hydrant Fund	Industrial Park Project Fund	Cemetery Fund
\$	\$ 519,251 425,000	\$ 2,000	\$ 126	\$ 305,643	\$
354,384					1,334
<u>\$ 354,384</u>	<u>\$ 944,251</u>	<u>\$ 2,000</u>	<u>\$ 126</u>	<u>\$ 305,643</u>	<u>\$ 1,334</u>
\$	\$ 918,453	\$ 2,000	\$	\$ 305,643	\$
349,668					
<u>\$ 349,668</u>	<u>\$ 918,453</u>	<u>\$ 2,000</u>	<u>\$ 0</u>	<u>\$ 305,643</u>	<u>\$ 0</u>
\$ 4,716 25,498	\$ 25,798 12,852	\$ 0 0	\$ 126 5,546	\$ 0 0	\$ 1,334 25,067
<u>\$ 30,214</u>	<u>\$ 38,650</u>	<u>\$ 0</u>	<u>\$ 5,672</u>	<u>\$ 0</u>	<u>\$ 26,401</u>

The accompanying notes are an integral part of the financial statements.

HENDERSON COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 1998
 (Continued)

<u>Cash Receipts</u>	<u>Public Properties Corporation Fund</u>
Schedule of Operating Revenue	\$
Transfers In	582,650
Public Properties Corporation Receipts	2,612
Jail Commissary Fund Receipts	
Cemetery Fund Receipts	
	<hr/>
Total Cash Receipts	<u>\$ 585,262</u>
 <u>Cash Disbursements</u>	
Comparative Schedule of Final Budget and Budgeted Expenditures	\$
Transfers Out	
Bonds:	
Principal Paid	235,000
Interest Paid	347,650
Public Properties Corporation	
Expenditures	19,379
Jail Commissary Fund Expenditures	
	<hr/>
Total Cash Disbursements	<u>\$ 602,029</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	(16,767)
Cash Balance - July 1, 1997*	<u>45,130</u>
Cash Balance - June 30, 1998*	<u><u>\$ 28,363</u></u>

*Cash Balance Includes Investments

HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 1998

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Henderson County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Jail Commissary Fund, the Henderson County Public Properties Corporation, and the Henderson City-County Planning Commission as part of the reporting entity.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts.

C. Basis of Accounting

The financial statements were prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Consequently, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

D. Legal Compliance - Budget

The Henderson County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1998
(Continued)

Note 1. (Continued)

E. Cash and Investments (Continued)

KRS 66.480 authorizes the County to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The County has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The County's contribution rate for nonhazardous employees was 8.65 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits and Investments

A. Deposits

The County maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. The depository institution pledged securities of \$4,207,296. However, the depository institution's board of directors or loan committee did not approve the pledge agreement. In addition, the depository institution did not have a written agreement with the County.

HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1998
(Continued)

Note 3. Deposits and Investments (Continued)

A. Deposits (Continued)

The County's deposits are categorized below to give an indication of the level of risk assumed by the County as of June 30, 1998.

	<u>Bank Balance</u>
Collateralized with securities held by the county's agent in the county's name	\$ 0
Collateralized with securities held by pledging depository institution in the county's name	2,027,931
Uncollateralized and uninsured	<u>0</u>
Total	<u><u>\$ 2,027,931</u></u>

B. Investments

The County's investments are categorized below to give an indication of the level of risk assumed by the County at year-end. Category 1 includes investments that are insured or registered or the securities are held by the County or by the County's agent in the County's name. Category 2 includes uninsured and unregistered investments where the securities are held by the financial institution in the County's name. Category 3 includes uninsured and unregistered investments where the securities were held by the financial institution, but not in the County's name.

Types of Investments		<u>Category</u>			<u>Carrying Amount</u>	<u>Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>			
U.S. Treasury Bills	\$ 300,000	\$ 0	\$ 0	\$ 300,000	\$ 300,111	
Repurchase Agreements	1,250,000			1,250,000	1,250,000	
Totals	<u><u>\$ 1,550,000</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 1,550,000</u></u>	<u><u>\$ 1,550,111</u></u>	

HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1998
(Continued)

Note 4. Note Receivable

The County loaned \$50,400 to the Henderson County Water District on December 31, 1985, for the purpose of constructing water lines to the communities of Reed and Beels. Terms of the agreement stipulate a 20-year repayment schedule. Under the terms of the agreement, no interest is charged on the outstanding balance. The Henderson County Water District is in substantial compliance with the terms of the agreement. As of June 30, 1998, principal balance due was \$32,256.

Note 5. Lease-Purchase Agreements

The County has entered into the following capital lease agreement:

Vehicles for the County Sheriff Office-

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1998-99	\$ 16,852	\$ 3,102	\$ 19,954
1999-00	17,535	2,201	19,736
2000-01	18,245	1,265	19,510
2001-02	<u>14,168</u>	<u>311</u>	<u>14,479</u>
	<u>\$ 66,800</u>	<u>\$ 6,879</u>	<u>\$ 73,679</u>

The County has entered into the following operating lease:

Equipment for the County Road Department-

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1998-99	<u>\$ 40,571</u>	<u>\$ 2,349</u>	<u>\$ 42,920</u>

Note 6. Long-Term Debt

The Henderson County Public Properties Corporation was established May 9, 1995, pursuant to KRS Section 273, for the purpose of providing financing for construction and improvements to public-used properties in Henderson County. Henderson County Public Properties Corporation was established and has been accounted for as a separate corporation to provide for the retirement of principal and interest payments on outstanding debt. The Corporation has been presented on the combined financial statement of Henderson County because it provides an integral part of the County's financing of public property.

HENDERSON COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 1998
 (Continued)

Note 6. Long-Term Debt (Continued)

The Henderson County Public Properties Corporation entered into a new bond issue, Henderson County Public Properties Corporation Lease Revenue Bonds (Detention Center Project) Series 1995, on June 29, 1995, for the purpose of paying the cost of constructing a new County detention facility and the cost of issuance of the bonds. The Corporation and the County have entered into an annually renewable lease, dated June 1, 1995, wherein the County shall lease the detention facility from the Corporation at an agreed rental of which will be used to pay the principal and interest on the bonds.

The Henderson County Public Properties Corporation Lease Revenue Bonds (Detention Center Project) Series 1995 were issued June 29, 1995, in the amount of \$7,060,000. The Henderson County Public Properties Corporation entered into a lease agreement with the County in which the County will lease from the Corporation the detention facility in the amount of the aggregate of the interest on and principal of the bonds, which are due and payable during the lease period, the cost of operation and maintenance of the project, the cost of insuring the project and the annual trustee fee. Rental payments are due semi-annually on May 20 and November 20 of each year in ample amounts in ample time. The interest rate on the bonds is 5%. The outstanding balance as of June 30, 1998, was \$6,390,000. The following represents future maturities of long term debt:

<u>Fiscal Year</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
1998-99	\$ 335,900	\$ 245,000
1999-00	323,650	260,000
2000-01	310,650	270,000
2001-02	297,150	285,000
2002-03	282,900	300,000
Later Years	<u>1,937,000</u>	<u>5,030,000</u>
Totals	<u>\$ 3,487,250</u>	<u>\$ 6,390,000</u>

Note 7. Commitments and Contingencies

A. Deferred Landfill Tipping Fees

During the year ended 1993, the County entered into an agreement with the City of Henderson to dispose of refuse collected in the County at \$33 per ton. Of the \$33 per ton charge, the City allowed the County to pay on \$23 per ton and defer payment of the remaining \$10 per ton until the closing of the City's landfill, which occurred on June 30, 1995. Expenditures for tipping fees during fiscal year 1998 were \$89,802. At June 30, 1998, the amount owed the City under this agreement was \$34,773.

HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1998
(Continued)

Note 7. Commitments and Contingencies (Continued)

B. Industrial Revenue Bonds

The Henderson County Fiscal Court has adopted ordinances approving the issuance of Industrial Revenue Bonds and Pollution Control Bonds. Such bond issues do not constitute a general debt, liability, or moral obligation of Henderson County. Accordingly, these financial statements do not include any assets or liabilities related to the issuance of these various bond issues.

C. Ambulance Service Agreement

In April 1983, the County of Henderson, along with the City of Henderson entered into an agreement with Community Methodist Hospital for the operation of a County wide ambulance service. The hospital agreed to operate the ambulance service with both the City and County reimbursing the hospital for any operating loss incurred on a quarterly basis. Expenses incurred under this arrangement for fiscal year ended June 30, 1998, were \$129,800.

D. Solid Waste Interlocal Agreement

In response to KRS 224.830 and reducing solid waste stream at municipal landfills by 25%, the County of Henderson entered into an interlocal agreement with Union and Webster Counties and Cities of Henderson and Corydon establishing a Solid Waste Recycling Facility and Program for these areas. All parties have agreed to fund the operational expenses of this organization. The County is responsible for 22.5% of the Solid Waste Recycling Facility and Program operating expenses. Expenses incurred under this agreement for fiscal year ended June 30, 1998, were \$14,000.

E. Tri-County Interlocal Agreement for a New Water and Wastewater Treatment Facility

The County of Henderson entered into an interlocal agreement with the Counties of Henderson, Webster, and McLean, the City of Henderson, and the City of Henderson Water and Sewer Commission, to which the local governments agree to supplement the City of Henderson Water and Sewer Commission's debt service on the Water and Wastewater Treatment Facility in southern Henderson County on an equal basis should the excess revenues generated by the facility be less than the amount necessary to fund the debt service required for the related facility. There were no expenses incurred by the County for fiscal year ended 1998.

F. Solid Waste Transfer Station Interlocal Agreement

The County of Henderson entered into an agreement with the City of Henderson to fund 50% of the construction and operation of a solid waste transfer station to be used in the collection and disposal of solid waste collected within the City and County. The agreement is for a five-year period, beginning July 1, 1995, and ending June 30, 2000, with the option to renew for four, consecutive, five-year terms unless written notice is provided by either party. The County's portion of operational costs for fiscal year ended June 30, 1998, was \$352,058.

HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1998
(Continued)

Note 8. Insurance

For the fiscal year ended June 30, 1998, the County was a member of the Kentucky Association of Counties' All Lines Insurance Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 9. Jail Commissary Fund

When we arrived to conduct our audit of the Jail Commissary Fund, the Jailer could not locate many of the invoices or other documentation to support \$349,689 of expenditures. In addition, the Jailer was unable to locate many of the original cancelled checks and bank statements. The Jailer had the bank reproduce copies of canceled checks and bank statements. We selected a sample of 53 expenditures and requested that the Jailer obtain invoices or receipts to support these expenditures. The Jailer obtained evidence to support 24 of these expenditures as being legitimate expenses. Therefore, 29 of the expenditures tested had no related invoice or receipt or other data available to support the expenditure. Of the 29 invoices not available, a majority was for one-time purchases, with only a cash register receipt or with vendors that did not maintain records for over a two-year period.

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

HENDERSON COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 1998

<u>Budgeted Funds</u>	Budgeted Operating Revenue	Actual Operating Revenue	Over (Under) Budget
General Fund	\$ 4,262,161	\$ 4,976,969	\$ 714,808
Road and Bridge Fund	1,413,669	1,448,186	34,517
Jail Fund	2,316,346	2,498,158	181,812
Local Government Economic Assistance Fund	447,866	519,251	71,385
Hudson Grant Fund	2,000	2,000	
Dry Hydrant Fund	600	126	(474)
Industrial Park Project Fund	3,500,000	305,643	(3,194,357)
Total	<u>\$ 11,942,642</u>	<u>\$ 9,750,333</u>	<u>(2,192,309)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 11,942,642
Add: Budgeted Prior Year Surplus			1,285,199
Less: Other Financing Uses			<u>(582,650)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 12,645,191</u>

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SCHEDULE OF OPERATING REVENUE

HENDERSON COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 1998

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Revenue From Local Taxes and Excess Fees</u>				
Sheriff:				
Taxes	\$ 1,236,557	\$ 1,236,557	\$	\$
Fees	588,285	588,285		
County Clerk:				
Deed Transfer Tax	103,112	103,112		
Delinquent Taxes	26,827	26,827		
Fees	891,374	891,374		
Alcohol Beverage Tax	5,850	5,850		
County Attorney-Fees	70,658	70,658		
Tangible Personal Property Taxes:				
County Clerk	198,859	198,859		
Industrial Bond Fees	151,456	151,456		
Tourist Room Tax	116,474	116,474		
Insurance Premium Tax	1,033,567	1,033,567		
In Lieu of Taxes:				
Tennessee Valley Authority	1,352	1,352		
U.S. Treasurer	606	606		
Totals	<u>\$ 4,424,977</u>	<u>\$ 4,424,977</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Federal Receipts - State Treasurer</u>				
Disaster and Emergency Assistance				
Grant - Flood Relief	\$ 265,803	\$	\$ 265,803	\$
Federal Disaster and Emergency				
Services; Emergency Management				
Agency Reimbursement	4,361	4,361		
Community Oriented Policing				
Services Grant-Sheriff	48,963	48,963		
Totals	<u>\$ 319,127</u>	<u>\$ 53,324</u>	<u>\$ 265,803</u>	<u>\$ 0</u>

HENDERSON COUNTY
SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

[illegible]

HENDERSON COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Kentucky State Treasurer</u>				
Jail:				
Allotments	\$ 297,427	\$	\$	\$ 297,427
Medical Allotments	56,807			56,807
Driving Under The Influence Fees	12,170			12,170
Housing State Prisoners	1,584,996			1,584,996
Court Costs, Jail Operation	231,075			231,075
Jail Contract with Other Counties	6,759			6,759
Unclaimed Bail Fee Transfer	7,215			7,215
County Road Aid	761,702		761,702	
Municipal Road Aid	7,568		7,568	
Road Emergency	231,450		231,450	
Road Energy Recovery	31		31	
Truck License Distribution	151,651		151,651	
Recouped Public Defender Fees	2,843	2,843		
Coal Permits	11,513	11,513		
Courthouse Rental - Administrative				
Office of the Courts	96,157	96,157		
Refunds:				
Legal Process Tax	710	710		
Driver Licenses				
Dog Licenses	4,803	408	4,395	
Severance Taxes:				
Coal	302,588			
Mineral	188,869			
Board of Assessments	200	200		
Grants:				
Disaster and Emergency Services				
Reimbursement	1,166	1,166		
Industrial Park Development	305,643			
Emergency Medical Services	10,862	10,862		
Totals	<u>\$ 4,274,205</u>	<u>\$ 123,859</u>	<u>\$ 1,156,797</u>	<u>\$ 2,196,449</u>

HENDERSON COUNTY
SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

Local Government Economic Assistance Fund	Hudson Fund	Dry Hydrant Fund	Industrial Park Project Fund
\$	\$	\$	\$
302,588			
188,869			
			305,643
\$ 491,457	\$ 0	\$ 0	\$ 305,643

HENDERSON COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Miscellaneous Revenue</u>				
Interest	\$ 156,553	\$ 134,342	\$ 12,635	\$ 7,810
Circuit Court Clerk:				
Work Release	23,123			23,123
Jail:				
Telephone Commission Refunds	253,163			253,163
Licenses and Permits:				
Building Permits	17,561	17,561		
Solid Waste Permits	75	75		
Coal Permits - Local	61,850	61,850		
Cable TV Franchise	23,401	23,401		
Charges for Services:				
Planning and Zoning Fees	22,412	22,412		
Royalties	8,430	8,430		
Recycle Receipts	6,499	6,499		
Water District Receipts	2,016	2,016		
Flood Control	1,350	1,350		
Hudson Foods -Sewage	2,000			
Court Settlement	15,000	15,000		
Delta/Carlton Dredging Receipts	17,825	17,825		
Insurance Reimbursements	2,396	2,396		
Culvert Sales	9,591		9,591	
Other Sales	704	100	604	
Telephone Commissions	512	512		
Reimbursement for Jail				
Commissary Supervisor	11,782			11,782
Reimbursement	21,615	17,342	517	3,756
Miscellaneous Items	74,166	43,698	2,239	2,075
Totals	\$ 732,024	\$ 374,809	\$ 25,586	\$ 301,709
Total Operating Revenue	\$ 9,750,333	\$ 4,976,969	\$ 1,448,186	\$ 2,498,158

HENDERSON COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

Local Government Economic Assistance Fund	Hudson Fund	Dry Hydrant Fund	Industrial Park Project Fund
\$ 1,640	\$	\$ 126	\$
	2,000		
26,154			
\$ 27,794	\$ 2,000	\$ 126	\$ 0
\$ 519,251	\$ 2,000	\$ 126	\$ 305,643

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

HENDERSON COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 1998

	<u>Final</u> <u>Budget</u>	<u>Budgeted</u> <u>Expenditures</u>	<u>Under</u> <u>(Over)</u> <u>Budget</u>
<u>GENERAL FUND</u>			
<u>General Government</u>			
Office of County Judge/Executive:			
Salaries-			
County Judge/Executive	\$ 48,450	\$ 48,440	\$ 10
Secretaries	19,200	19,182	18
Office Materials and Supplies	5,800	5,563	237
Equipment/Technology	5,000	122	4,878
Telephone	10,300	10,222	78
Travel	10,950	10,929	21
Office of County Attorney:			
Salaries-			
County Attorney	38,000	35,567	2,433
Assistant County Attorney	19,300	17,812	1,488
Secretaries	27,200	27,176	24
Office Materials and Supplies			
Telephone	3,000	2,819	181
Office of County Clerk:			
Salaries-			
County Clerk	48,450	48,440	10
Deputies	326,932	326,913	19
Temporary/Part-Time Help	3,750	1,880	1,870
Expense Allowance	3,600	3,600	
Recording Fees	11,450	11,439	11
Office Materials and Supplies	21,717	21,717	
Association Membership	1,350	1,350	
Telephone	4,950	4,934	16
Equipment and Repairs	23,550	23,550	
Conferences and Training	2,393	2,393	
Printing and Binding	13,393	13,393	
Tax Bill Preparation	8,651	8,651	

HENDERSON COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>General Government (Continued)</u>			
Office of Sheriff:			
Salaries-			
Sheriff	\$ 48,450	\$ 48,440	\$ 10
Deputies	391,210	390,097	1,113
Bailiffs	102,000	101,411	589
Advertising Tax Bills	9,200	9,188	12
Tax Bill Preparation	6,100	6,074	26
Taxes Postage	600	543	57
Conferences and Training	2,000	1,150	850
Telephone	4,500	4,096	404
Transporting Prisoners	31,400	30,922	478
Maintenance/Repair - Radios	13,000	12,876	124
Maintenance/Repair - Vehicles	26,800	26,440	360
Uniforms	7,700	6,774	926
Sheriff Association Dues	900		900
Furniture and Fixtures	1,000	965	35
Materials and Supplies	11,200	10,773	427
Jury Expense	5,200	5,017	183
Motor Vehicles	40,650	40,641	9
Vehicle Insurance	300	218	82
Office of County Coroner:			
Salaries-			
County Coroner	10,300	10,291	9
Deputy Coroner	6,500	6,330	170
Special Investigators	10,000	9,635	365
Coroner Casework	5,700	5,602	98
Coroner Expense	3,150	3,150	
Body Transportation	4,750	3,700	1,050
Supplies and Expense	2,050	1,821	229
Conferences, Travel, and Training	800	742	58
Equipment/Pagers	1,500	1,314	186
Telephone	1,500	1,354	146

HENDERSON COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
<u>GENERAL FUND (Continued)</u>			
<u>General Government (Continued)</u>			
Fiscal Court:			
Magistrates-			
Salaries	\$ 65,155	\$ 65,097	\$ 58
Expense Allowance	18,000	18,000	
Advertising	5,200	4,832	368
Legal Fees	21,500	20,897	603
Travel	8,100	7,970	130
Fiscal Court Clerk Salary	27,560	27,536	24
Office of Property Valuation Administrator:			
Telephone	1,300	1,023	277
Statutory Contribution	50,700	50,700	
Office of Board of Assessment Appeals:			
Per Diem	600	400	200
Office of County Treasurer:			
County Treasurer Salary	31,200	31,172	28
Data Processing	13,500	13,453	47
Office Materials and Supplies	3,000	2,532	468
Advertising	1,300	1,267	33
Telephone	900	568	332
Travel	1,725	1,725	
Office of County Finance Director:			
Salary-			
County Finance Director	22,200	22,180	20
County Law Library:			
Law Librarian Salary	1,300	1,248	52
Mining:			
Mining Engineer Contract	23,400	22,150	1,250
Mining Supplies	501		501

HENDERSON COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>General Government (Continued)</u>			
Elections:			
Per Diem-			
Election Commissioners	\$ 3,000	\$ 3,000	\$
Election Officers	12,638	12,568	70
Election Advertising	1,984	1,890	94
Election Registration	1,000	644	356
Office Supplies	16,298	16,260	38
New Voting Machines	25,200	25,200	
Voting Machines Transportation	1,350	1,331	19
Planning and Zoning:			
Contribution	99,627	99,627	
Per Diem	670	670	
Courthouse:			
Custodian Service	57,230	57,230	
Grounds Maintenance	1,470	457	1,013
Custodial Supplies	2,000	1,583	417
Renewals and Repairs-State	1,000	966	34
Renewals and Repairs	53,550	53,468	82
Utilities	16,790	16,523	267
Insurance	95,839	95,839	
Other County Properties:			
Airport:			
Maintenance	16,515	16,515	
Building Code Enforcement:			
Salaries	26,062	26,039	23
Office Supplies	615	614	1
Telephone	835	817	18
Mileage	2,700	2,650	50

HENDERSON COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
<u>GENERAL FUND (Continued)</u>			
<u>Protection to Persons and Property</u>			
Disaster and Emergency Services:			
Director Salary	\$ 9,985	\$ 9,833	\$ 152
Office Materials and Supplies	800	731	69
Telephone	1,178	1,175	3
Ambulance Service:			
Ambulance Service	131,781	129,800	1,981
Forestry Fire Protection:			
Kentucky State Treasurer	898	898	
Office of Public Defender:			
Contribution	24,875	24,781	94
<u>General Health and Sanitation</u>			
Water System:			
Waterline Extension Project	41,025	41,025	
Tri-County Recycling Program	54,195	54,117	78
<u>Recreation and Culture</u>			
Tourist and Convention:			
Tourist Commission Room Tax	116,000	115,555	445
<u>Debt Service</u>			
Special Fund Reserve	750,000	45,558	704,442
<u>Administration</u>			
Auditing	25,500	25,430	70
Kentucky Coal Coalition	1,250	1,250	
County Association Membership	1,224	1,223	1
Green River Area Development			
District Membership Dues	10,140	10,090	50

HENDERSON COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
<u>GENERAL FUND (Continued)</u>			
<u>Administration (Continued)</u>			
Kentucky Association of Counties			
Membership Dues	\$ 1,100	\$ 1,100	\$
Surplus Property Reimbursement	800	712	88
Refunds	376	319	57
Contingent Appropriations:			
Reserve for Transfers	1,000	550	450
Fringe Benefits:			
County Contributions-			
Social Security	102,950	102,565	385
Retirement	104,600	104,346	254
Life Insurance	3,850	3,818	32
Health Insurance	102,600	102,269	331
Worker's Compensation	33,076	31,866	1,210
Total General Fund	<u>\$ 3,658,563</u>	<u>\$ 2,921,308</u>	<u>\$ 737,255</u>

ROAD AND BRIDGE FUND

Roads

Office of Road Supervisor/Engineer:			
County Engineer - Hourly	\$ 41,828	\$ 41,763	\$ 65
Road Supervisor Salary	31,238	31,188	50
Road Maintenance:			
Salaries-			
Road Foreman	25,000	24,934	66
Mechanics	41,500	40,368	1,132
Equipment Operators	134,000	132,167	1,833
Truck Drivers	172,000	170,588	1,412
Senior Truck Drivers	40,900	40,851	49
Secretary	18,000	17,796	204
Garage Attendant	7,500	6,531	969
Road Department - Overtime	17,000	8,049	8,951

HENDERSON COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>ROAD AND BRIDGE FUND (Continued)</u>			
<u>Roads (Continued)</u>			
Road Maintenance: (Continued)			
Asphalt	\$ 430,871	\$ 430,871	\$
Road Materials	107,500	106,762	738
Cold Mix - Patching	3,628		3,628
Machinery and Equipment-			
Repairs	163,500	150,308	13,192
New Road Machinery	96,000	94,680	1,320
Pipe	15,000	14,768	232
Dust Control	5,228	5,228	
Drug Testing	1,250	855	395
Federal Emergency Management Service:	287,900	162,323	125,577
Underground Storage Removal	62,351	62,350	1
Office Supplies	3,000	2,292	708
Utilities	13,500	12,750	750
Insurance	70,532	63,931	6,601
Telephone	4,000	3,883	117
Other Materials and Supplies	1,700		1,700
Miscellaneous	1,000		1,000
<u>Capital Projects</u>			
Bridges:			
Contracted Construction	5,000		5,000
Streets and Highways:			
Contracted Construction	92,522	30,420	62,102
<u>Administration</u>			
Fringe Benefits:			
County Contributions-			
Retirement	45,000	42,934	2,066
Social Security	39,000	35,780	3,220
Life Insurance	1,700	1,667	33

HENDERSON COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>ROAD AND BRIDGE FUND (Continued)</u>			
<u>Administration(Continued)</u>			
Fringe Benefits:(Continued)			
Health Insurance	\$ 77,700	\$ 77,681	\$ 19
Worker's Compensation	18,468	18,395	73
Total Road and Bridge Fund	<u>\$ 2,075,316</u>	<u>\$ 1,832,113</u>	<u>\$ 243,203</u>
<u>JAIL FUND</u>			
<u>Protection to Persons and Property</u>			
Office of Jailer:			
Personnel Services-			
Salaries-			
Jailer	\$ 48,100	\$ 48,084	\$ 16
Jail Personnel	621,404	611,551	9,853
Class D Coordinator	15,233	13,617	1,616
Other Staff	3,150	3,101	49
Jail Commissary Supervisor	23,375	23,139	236
Secretary	16,725	16,584	141
Cooks	14,288	13,742	546
Jail/Overtime	22,400	22,313	87
Jail Nurse	35,000	34,810	190
Part-Time Help	269		269
Association Dues	550	500	50
Operations-			
Cleaning Supplies	43,750	43,747	3
Data Processing	2,540	1,271	1,269
Food	372,482	371,924	558
Food Preparation and Serving supplies	10,000	8,657	1,343
Food Service Equipment	3,500	1,876	1,624
Jail Linens	8,000	7,996	4
Pest Control	3,000	985	2,015
Office Supplies	10,217	9,730	487
Prisoner Clothing	5,190	4,972	218
Prisoner Hygiene	9,701	9,701	
Routine Medical	194,500	194,452	48
Staff Uniforms	8,860	8,212	648

HENDERSON COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>JAIL FUND (Continued)</u>			
<u>Protection to Persons and Property (Continued)</u>			
Office of Jailer: (Continued)			
Operations- (Continued)			
Staff Training and Travel	\$ 8,500	\$ 8,337	\$ 163
Utilities	72,000	70,995	1,005
Telephone	17,405	16,155	1,250
Communications Equipment	2,065	2,060	5
Furniture and Fixtures	1,550	1,535	15
Other Equipment	9,285	9,285	
Storage Building	6,000	5,924	76
Juveniles - Contracted Housing	210,290	209,241	1,049
Holding Inmates - Contracted	5,530	3,803	1,727
Vehicles	22,075	20,206	1,869
Miscellaneous	983	420	563
Maintenance-			
Building Repairs			
Equipment Repairs	3,300	2,971	329
	10,497	10,104	393
<u>Capital Projects</u>			
Buildings and Construction:			
Jail Construction	5,018	500	4,518
Construction Project	391,000	276,350	114,650
<u>General Services:</u>			
Contingent Appropriations:			
Reserve for Budget Transfers	19,175		19,175
<u>Administration</u>			
Fringe Benefits:			
County Contributions-			
Retirement	55,900	46,747	9,153
Social Security	55,600	54,065	1,535

HENDERSON COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
<u>JAIL FUND (Continued)</u>			
<u>Administration (Continued)</u>			
Fringe Benefits: (Continued)			
Life Insurance	\$ 2,340	\$ 2,310	\$ 30
Health Insurance	68,000	67,635	365
Worker's Compensation	<u>19,760</u>	<u>19,759</u>	<u>1</u>
Total Operating Budget	\$ 2,458,507	\$ 2,279,366	\$ 179,141
Other Financing Uses:			
Transfers to Public Properties Corporation Fund	<u>582,650</u>	<u>582,650</u>	
Total Jail Fund	<u>\$ 3,041,157</u>	<u>\$ 2,862,016</u>	<u>\$ 179,141</u>
<u>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</u>			
<u>Roads</u>			
Road Maintenance:			
Equipment - Repairs and Maintenance	\$ 81,000	\$ 75,755	\$ 5,245
<u>General Government</u>			
Ethics Committee	250		250
Economic Development Council	45,000	45,000	
<u>Protection to Persons and Property</u>			
County Fire Department:			
Fire Department - Improvement	1,000		1,000
Community Volunteer Fire Department	63,250	63,250	
Emergency Dispatch Service:			
911 Communications Center	122,785	113,081	9,704

HENDERSON COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
<u>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND (Continued)</u>			
<u>General Health and Sanitation</u>			
Pest Eradication Program:			
Mosquito Control	\$ 4,000	\$	\$ 4,000
Dog Control:			
Humane Society	40,000	40,000	
Sanitary Landfill:			
Landfill and Solid Waste	352,060	352,058	2
Solid Waste Transfer:			
Transfer Station	48,000	47,598	402
Solid Waste Collection:			
Solid Waste - Green Boxes	3,000	2,910	90
Bus Services:			
Busing Parochial Students	30,000	30,000	
Other Health Programs:			
Livestock Inspector	100	100	
Soil and Water Conservation	22,000	22,000	
<u>Social Services</u>			
Services to Indigents:			
Hospital - Indigent Care	10,000	10,000	
Pauper Burials	1,500	1,000	500
Pharmaceutical Services	2,000	521	1,479
Volunteer and Information Center	1,155	1,155	
Grocery Orders	2,500	889	1,611

HENDERSON COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND (Continued)</u>			
<u>Social Services</u>			
Senior Citizens Programs:			
Senior Companion Program	\$ 3,500	\$ 3,500	\$
Senior Citizens Program	4,000	4,000	
Foster Grandparents	1,000	1,000	
Other Social Services Programs:			
One-time Contribution	8,000	7,000	1,000
Human Rights	22,465	22,391	74
Victims Assistance-			
Spouse Abuse Program	4,500	4,500	
Involvement	8,000	8,000	
<u>Recreation and Culture</u>			
Juvenile Recreation	6,800	6,800	
Christmas Parade	500	500	
Celebrations, Festivals, and Cultural Programs:			
Operation Community Pride	1,500	1,500	
Downtown Henderson Project	1,500	1,500	
<u>Transportation Facilities and Services</u>			
Boat Ramps	10,000	9,500	500
<u>Debt Service</u>			
Gradall Payment-Road Equipment	42,925	42,920	5
<u>General Services</u>			
Miscellaneous Appropriations	<u>1,000</u>	<u>25</u>	<u>975</u>
Total Local Government Economic Assistance Fund	<u>\$ 945,290</u>	<u>\$ 918,453</u>	<u>\$ 26,837</u>

HENDERSON COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
<u>HUDSON FOOD FUND</u>			
Hudson Food Grant	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 0</u>
<u>DRY HYDRANT FUND</u>			
Dry Hydrant Expense	<u>\$ 5,515</u>	<u>\$ 0</u>	<u>\$ 5,515</u>
<u>INDUSTRIAL PARK PROJECT FUND</u>			
Industrial Park Development	<u>\$ 3,500,000</u>	<u>\$ 305,643</u>	<u>\$ 3,194,357</u>
Total Operating Budget - All Funds	<u>\$ 12,645,191</u>	<u>\$ 8,258,883</u>	<u>\$ 4,386,308</u>
Other Financing Uses:			
Transfers to Public Properties			
Corporation Fund	<u>582,650</u>	<u>582,650</u>	
TOTAL BUDGET - ALL FUNDS	<u><u>\$ 13,227,841</u></u>	<u><u>\$ 8,841,533</u></u>	<u><u>\$ 4,386,308</u></u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Sandy L. Watkins, County Judge/Executive
Members of the Henderson County Fiscal Court

Report On Compliance And On Internal Control Over Financial Reporting Based On An
Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Henderson County, Kentucky, as of and for the year ended June 30, 1998, and have issued our report thereon dated June 16, 1999. We have qualified our opinion due to the fact when we arrived to conduct our audit of the Jail Commissary Fund, the Jailer could not locate many of the invoices or other documentation to support \$349,689 of expenditures. In addition, the Jailer was unable to locate many of the original cancelled checks and bank statements. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Henderson County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying Comments and Recommendations.

- The Fiscal Court Should Adopt An Administrative Code
- The Jailer Should Improve The Internal Controls And Accounting System Of The Jail Commissary Fund
- The Jailer Should Maintain Sufficient Documentation To Support Payment Of The Jail Commissary Fund
- The Jailer Should Follow Proper Budgetary Procedures For Jail Fund Expenditures

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 Report On Compliance And On Internal Control Over Financial Reporting Based On An
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 (Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Henderson County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Henderson County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Comments and Recommendations.

- The Fiscal Court Should Adopt An Administrative Code
- The Jailer Should Improve The Internal Controls and Accounting System Of The Jail Commissary Fund
- The Jailer Should Maintain Sufficient Documentation To Support Expenditures Of The Jail Commissary Fund
- The Jailer Should Follow Proper Budgetary Procedures For Jail Fund Expenditures

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider the following to be material weaknesses.

- The Jailer Should Improve The Internal Controls And Accounting System Of The Jail Commissary Fund
- The Jailer Should Maintain Sufficient Documentation To Support Expenditures Of The Jail Commissary Fund
- The Jailer Should Follow Proper Budgetary Procedures For Jail Fund Expenditures

Honorable Sandy L. Watkins, County Judge/Executive
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Report On Compliance And On Internal Control Over Financial Reporting Based On An
Audit Of Financial Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 16, 1999

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COMMENTS AND RECOMMENDATIONS

HENDERSON COUNTY
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 1998

1) The County Should Have A Written Agreement To Protect Deposits

The County maintained deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). The County had a bank balance of \$2,027,931; FDIC insurance of \$700,000; and securities pledged of \$4,207,296 as of June 30, 1998. Even though the County obtained pledged securities of \$4,207,296, the pledge agreement was not approved by the board of directors of the depository institution or its loan committee nor evidenced by a written agreement. We recommend the County enter into a written agreement with the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. According to federal law, 12 U.S.C.A. § 1823(e), this agreement should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Management's Response:

Henderson County has obtained the necessary written agreements.

2) The Fiscal Court Should Adopt An Administrative Code

The fiscal court has not adopted an administrative code as required by KRS 68.005. The County Judge/Executive submitted an administrative code to the fiscal court on October 12, 1993. However, during fiscal year ended June 30, 1998, the administrative code had yet to be approved by the fiscal court. We recommend the fiscal court approve an administrative code.

Management's Response

Henderson County adopted a Personnel Policy on December 2, 1997, a Code of Ethics on December 13, 1994, and an Investment Policy reviewed annually, the last date being on January 5, 1999. The Courts intention is to have a complete Administrative Code by the year 2000, to fulfill the requirements of the law. We could adopt a generic code at anytime but we have chosen to write a working document that will be utilized and not end up as a shelf document.

3) The Jailer Should Improve The Internal Controls And Accounting System Of The Jail Commissary Fund

A material weakness in an internal control and accounting system is when the design or operation of the system does not reduce to a relatively low level the risk that material noncompliance with laws and regulations may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. The State Local Finance Officer has issued guidelines for minimum accounting and reporting standards pursuant to KRS 68.210 and KRS 441.135 for the Jail Commissary Fund. During our audit we noted:

HENDERSON COUNTY
 COMMENTS AND RECOMMENDATIONS
 Fiscal Year Ended June 30, 1998
 (Continued)

3) The Jailer Should Improve The Internal Controls And Accounting System Of The Jail Commissary Fund (Continued)

- The Jailer had to have the bank reproduce most of the canceled checks and bank statements. Later some of these records were found.
- Bank statements were not reconciled to the checkbooks or receipts and disbursement ledgers each month.
- Receipts and disbursements ledgers were not maintained.
- Daily checkout sheets were not accurate and were not reconciled to deposit tickets.
- A record of receipts and disbursements for Circuit Court ordered payments was not maintained.
- A monthly report of Jail Commissary receipts and disbursements was not prepared as required by the Department for Local Government.
- Invoices or receipts could not be found to support many of the expenditures of the Jail Commissary Fund. The Jailer had some of the receipts or invoices reproduced.

The Jailer should monitor his employees to determine if the accounting and internal control system is in place and working. We recommend that the Jailer contact the Department for Local Government or our office to assist him in designing an adequate internal control and accounting system.

Management's Response:

Henderson County Fiscal Court was under the assumption that only a yearly Jail Commissary Report was required. The County Treasurer will ask for a monthly report to be turned into her office with each month's bills.

4) The Jailer Should Maintain Sufficient Documentation To Support Expenditures Of The Jail Commissary Fund

During our audit, we noted the absence of sufficient documentation to support expenditures made from the Jail Commissary Fund. Sufficient documentation consists of invoices, receipts, or other supporting documentation and cancelled checks. When we arrived to conduct our audit, the Jailer could not locate many of the invoices to support \$349,689 of expenditures. KRS 441.135 (2) states, "All profits from the canteen shall be used for the benefit or recreation of the prisoners. The jailer shall keep books of accounts of all receipts and disbursements from the canteen and shall annually report to the County treasurer on the canteen account."

We selected a sample of 53 expenditures and requested that the Jailer obtain invoices or receipts to support these expenditures. The Jailer obtained evidence to support 24 of these expenditures as being legitimate expenses. Therefore, 29 of the expenditures tested had no related invoice or receipt or other data available to support the expenditure. Of the 29 invoices not available, a majority was for one-time purchases, with only a cash register receipt being issued or with vendors that did not maintain records for over a two-year period.

We recommend that the Jailer retain original invoices, receipts, or other supporting documentation and cancelled checks to support expenditures made from the Jail Commissary Fund.

HENDERSON COUNTY
 COMMENTS AND RECOMMENDATIONS
 Fiscal Year Ended June 30, 1998
 (Continued)

4) The Jailer Should Maintain Sufficient Documentation To Support Expenditures Of The Jail Commissary Fund (Continued)

Management's Response:

Henderson County will ask the Jailer to deliver a copy of the monthly reconciliations of the Jail Commissary Funds along with the monthly commissary report.

5) The Jailer Should Follow Proper Budgetary Procedures For Jail Fund Expenditures

The jail had \$30,156 of expenditures that were not posted to the budget of the Jail Fund maintained by the County Treasurer. These expenditures were paid from an account maintained by the Jailer to supplement the line items of the Jail Fund budget. The source of funding for this account was from soft drink commissions, prisoners funded transports and square footage rent from the commissary store. The Jailer also used this fund to provide money to "transportation officers" to purchase fuel and food for themselves and inmates so that a financial burden was not placed on these officers.

We recommend that the Jailer comply with the budgetary procedures prescribed in KRS 68.210. The Jailer should submit all Jail Fund receipts to the County Treasurer, who should post these receipts and expenditures to the budget of the Jail Fund.

We also recommend that the Jailer establish an account to advance the "transportation officers" funds to cover travel, lodging, and food costs. The deputies would be advanced funds for inmate transport. The transportation officers would submit receipts or invoices to the Jailer so that the Jailer can submit these expenditures to the Fiscal Court for reimbursement. The County Treasurer would post these expenditures to the budget of the Jail Fund.

Management's Response:

The County Treasurer will reimburse officers for transportation on a weekly basis. The County Treasurer would also check the expenditures and receipts of the commissary rent fund on a monthly basis to insure that expenditures were posted properly.

Due to the turnover in the position at the jail that handles these funds, records have been lost, misplaced, and destroyed and could not be produced at the time of the audit. This position has recently been filled by the Henderson County Fiscal Court Finance Officer.

The Jailer and Fiscal Court feel confident in this move. We feel records and reports will be handled accordingly and don't foresee the problems of the past in the future.

HENDERSON COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 1998
(Continued)

PRIOR YEAR FINDING

The Fiscal Court Should Adopt An Administrative Code

The Fiscal Court has not adopted an administrative code as required by KRS 68.005. The County Judge/Executive submitted an administrative code to the Fiscal Court on October 12, 1993. However, during fiscal year ended June 30, 1998, the administrative code had not been approved by the Fiscal Court.

Management's Response:

No action has been taken.

**CERTIFICATION OF COMPLIANCE – LOCAL
GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS**

HENDERSON COUNTY FISCAL COURT


Fiscal Year Ended June 30, 1998

Appendix A

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS
HENDERSON COUNTY FISCAL COURT

The Henderson County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


Name
County Judge/Executive


Name
County Treasurer

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HENDERSON CITY-COUNTY PLANNING COMMISSION

AUDITED FINANCIAL STATEMENTS

JUNE 30, 1998

CRAFTON, WILSON & CO., LLP ,CPA

223 NORTH MAIN STREET

HENDERSON, KENTUCKY 42420-3175

Appendix B

